ASSET Initiative Tax Credits and Tax Filing Assistance

Tax credits for the working poor, such as the Earned Income Tax Credit (EITC), Child Credit, and the Child Care Credit, lift more families out of poverty annually than any other poverty-reduction effort. In a recent year, nearly 26 million families received \$57.7 billion due to the EITC alone. Still, according to the Internal Revenue Service (IRS), up to 25 percent of EITC-eligible families do not know about tax credits and do not maximize their refunds by claiming all credits available to them. In addition, many low-income families pay high prices to receive tax preparation assistance or expensive refund loans.

Connecting families to free tax preparation, not only helps families save on tax preparation costs, but also ensures that they claim all tax credits and deductions for which they are eligible. While most low-income families will qualify for EITC credits, the highest benefits go to families with children, who can receive refunds of thousands of dollars. Furthermore, tax time is an opportunity to engage families on a range of issues affecting financial stability from investing a portion of their refund to signing up for financial education courses.

Programming Ideas

Ways to integrate tax credits and tax filing assistance into your organization's programming include:

- Applying to the IRS to become a Volunteer Income Tax Assistance (VITA) site or partner with an existing VITA site to provide free tax preparation that ensures families claim the EITC and other credits.
- Encouraging families to use their refunds to open a savings account, including depositing all or part of their
 refunds into matched savings accounts called individual development accounts (IDAs). In addition, families can
 use refunds to purchase savings bonds, certificates of deposit, or other investments in their own names or in their
 children's names.
- Facilitating a partnership between tax assistance providers and major local employers in your area to ensure that eligible employees claim tax credits.
- Providing your clients transportation to tax preparation services.

Successful Programs

These programs and others are highlighting the value of bringing tax credits and tax filing assistance to families:

The New York City Office of Financial Empowerment created the \$aveNYC Account Program to use tax time as an opportunity to help low-income families build savings. Through \$aveNYC, families that received free tax assistance open savings accounts with a portion of their tax refunds. Participants that keep the funds in their accounts for 1 year earn a \$1 match for every \$2 saved. To learn more about the \$aveNYC Program, visit www.nyc.gov/saveusa.

Kentucky Domestic Violence Association connects families affected by domestic violence to a variety of asset building resources. As a VITA site, the organization offers free tax preparation services at 56 locations across the state. In 2010, the initiative helped 10,298 families to prepare tax returns, claim the EITC, and ultimately receive \$13.5 million in refunds. The organization is also an AFI grantee, providing financial education and IDAs that have helped 146 families purchase homes, pursue educational opportunities, or start a small business. For more information on the Kentucky Domestic Violence Association, visit www.kdva.org.

The Assets for Independence (AFI) Program, the largest source of Federal funding for IDAs, provides funding for nonprofit organizations, qualified State and local governments, community development credit unions, and other communitybased organizations to provide financial education and individual development accounts for qualified individuals in their area. AFI offers grant funds for asset building programs nationwide that provide low-income individuals and families with tools they need for long-term economic success. Contact the AFI Resource Center for more information on partnering with or becoming an AFI grantee.

Visit the AFI Resource Center Web site at www.IDAresources.org for more information on savings and IDAs. Contact the AFI Resource Center to talk with an asset building specialist about strategies for bringing asset building to the families you serve.



About the ASSET Initiative

Families stand a better chance of escaping poverty if they know how to use their money and resources effectively, and grow their assets over time. The ASSET Initiative, a collaborative effort within the Administration for Children and Families (ACF), brings together ACF offices and their partner agencies and organizations at the State and community levels to extend the benefits of asset building services to more individuals and families across the Nation. The ASSET Initiative highlights the six asset building strategies shown above.

ACF grantees, partners, and staff can incorporate these strategies into their efforts to support individuals and families. The programming ideas suggested here are only examples of how agencies and organizations can incorporate asset building into their work with families to improve their financial stability.

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